

LEBOEUF, LAMB, GREENE & MACRAE
L.L.P.

A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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WASHINGTON, D.C.
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SALT LAKE CITY
SAN FRANCISCO

633 SEVENTEENTH STREET
SUITE 2000
DENVER, CO 80202

(303) 291-2600

FACSIMILE: (303) 297-0422

WRITER'S DIRECT DIAL:

(303) 291-2724

E-Mail Address: jazamagn@llgm.com

July 17, 2000

VIA FEDEX

Surface Transportation Board
Attention: Recordation Department (Mrs. C. Stokes)]
1925 K. Street, N.W., Suite 704
Washington, D.C. 20423

Re: LRC Credit Corporation/ Our File # 57131-534

Dear Mrs. Stokes:

Enclosed for recordation is a Security Agreement, June 16, 2000, a primary document, between TALGO-LRC LEASING, LLC, a Delaware company and WELLS FARGO CREDIT, INC., a Minnesota corporation.

The names and addresses of the parties to the enclosed document are:

Debtor:
TALGO-LRC LEASING, LLC
704 East Gallatin Street
Livingston, MT 59074

Secured Party:
Wells Fargo Credit, Inc.
1740 Broadway, MAC C7300-300
Denver, CO 80202

A description of the railroad equipment covered by the enclosed document is attached as Exhibit A

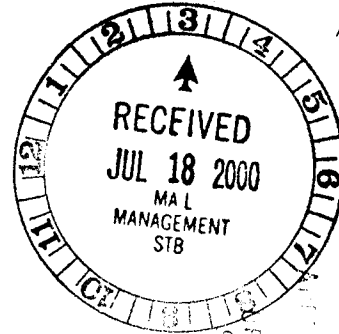
Our check in the amount of \$26.00 is enclosed to cover the recordation fee. Please return a file and date stamped copy of the enclosed document for our records.

RECORDATION NO. 23014 FILED

JUL 25 00 12:45 PM

SURFACE TRANSPORTATION BOARD
(A LONDON-BASED
MULTINATIONAL PARTNERSHIP)

PARIS
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SAO PAULO
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JUN 10 2 45 PM '00

RECEIVED
SURFACE TRANSPORTATION
BOARD

Mrs. C. Stokes
July 17, 2000
Page 2

Should you have any questions, or need anything further regarding this transaction, please call me on my direct line at (303) 291-2724.

Thank you for your continuing service.

Very truly yours,


Julie Zamagni,
Paralegal

Enclosures

cc: Spencer Young, Esq.

EXHIBIT A TO SECURITY AGREEMENT

Locomotives

Road #	Model #	Road #	Model #
LRCX 5501	C-30-7	LRCX 9547	SF-30-7
LRCX 5506	C-30-7	LRCX 9549	SF-30-7
LRCX 8149	C-30-7	LRCX 9556	SF-30-7
LRCX 8143	C-30-7	LRCX 9560	SF-30-7
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LRCX 8080	C-30-7	LRCX 9564	SF-30-7
LRCX 8110	C-30-7	LRCX 9567	SF-30-7
LRCX 7771	B-30-7	LRCX 9568	SF-30-7
LRCX 4004	B-23-7	LRCX 3817	B-23-7
CSXT 3104	B-23-7	LRCX 3820	B-23-7
LRCX 9508	SF-30-7	LRCX 8099	C-30-7
LRCX 9511	SF-30-7	LRCX 8103	C-30-7
LRCX 9513	SF-30-7	LRCX 8077	C-30-7
LRCX 9514	SF-30-7	LRCX 3974	B-23-7
LRCX 9516	SF-30-7	LRCX 3975	B-23-7
LRCX 9517	SF-30-7	LRCX 8104	C-30-7
LRCX 9519	SF-30-7	LRCX 8106	C-30-7
LRCX 9522	SF-30-7	LRCX 8107	C-30-7
LRCX 9523	SF-30-7	LRCX 8112	C-30-7
LRCX 9527	SF-30-7	LRCX 8117	C-30-7
LRCX 9528	SF-30-7	LRCX 8119	C-30-7
LRCX 9535	SF-30-7		
LRCX 9537	SF-30-7		
LRCX 9542	SF-30-7		
LRCX 9543	SF-30-7		

JUL 25 '00

12:45 PM

SECURITY AGREEMENT

SURFACE TRANSPORTATION BOARD

This Agreement is made as of June 16, 2000 by TALGO-LRC LEASING, LLC, a Delaware limited liability company (the "Debtor"), whose address is 704 East Gallatin, Livingston, Montana 59047, for the benefit of WELLS FARGO CREDIT, INC., a Minnesota corporation (the "Secured Party"), whose address is MAC C7300-300, 1740 Broadway, Denver, Colorado 80274.

Recitals

Pursuant to the Amended and Restated Credit and Security Agreement dated June 16, 2000 (the "Credit Agreement"), the Secured Party has made or may in the future make loans and/or extend financial accommodations to the Debtor.

As a condition to making such loans and extending such financial accommodations, the Secured Party has required that Debtor and secure its obligations as set forth in the Credit Agreement and as further set forth herein.

NOW THEREFORE, in consideration of the premises, the Debtor hereby agrees as follows:

1. Debtor hereby grants to Secured Party, to secure the full and prompt payment of all of the obligations of Debtor under the Credit Agreement, and all costs, expenses and liabilities of the Secured Party in the protection, maintenance or liquidation of the security interests granted hereby or otherwise incurred by Secured Party in enforcing this Security Agreement, together with interest thereon at an annual rate at all times equal to the "Default Rate" as defined in the Credit Agreement (the obligations of Debtor under the Credit Agreement and all other obligations or amounts secured hereby being collectively referred to as the "Liabilities"), a security interest in the following property of the Debtor:

EQUIPMENT (LOCOMOTIVES): the locomotives listed on Exhibit A attached hereto; together with all substitutions and replacements for and products of any of the foregoing property and together with proceeds of any and all of the foregoing property together with all accessions and together with (i) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed to or used in connection with any such goods, and (ii) all documents of title now or hereafter covering such goods.

2. A carbon, photographic or other reproduction of this Agreement or of any financing statements signed by the Borrower is sufficient as a financing statement and may be filed as a financing statement in any state to perfect the security interests granted hereby. For this purpose the Debtor's Federal Tax ID number is 55-2241619.

3. The occurrence of a Default or Event of Default under the Credit Agreement shall constitute a default (herein called a "Default") hereunder.

When a Default shall have occurred, all Liabilities (notwithstanding any provision thereof) shall, at the option of the Secured Party, and without demand or notice of any kind, become immediately due and payable and the Secured Party may exercise from time to time any rights and remedies available to it under applicable law. Debtor agrees, in the case of a Default, to assemble and make available at its expense all of the Collateral at a convenient place acceptable to the Secured Party and to pay all costs of the Secured Party of collection of obligations under the Credit Agreement and all other Liabilities, enforcement of rights hereunder, including reasonable attorney's fees and legal expenses, and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. If any notification of any intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if mailed at least ten days before such disposition, postage prepaid, addressed to Debtor either at the address shown hereinabove, or at any other address of Debtor appearing on the records of the Secured Party and in reference to a private sale, need only state that the Secured Party intends to negotiate such a sale. Disposition of Collateral shall be deemed commercially reasonable if made pursuant to a public offering advertised at least twice in a newspaper of general circulation in the community where the Collateral is located or by a private sale for a sum equal to or in excess of the liquidation value of the Collateral as determined by the Secured Party. Any proceeds of the disposition of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the Collateral, including reasonable attorney's fees and legal expenses, and any balance of such proceeds may be applied by the Secured Party toward the payment of such of the Liabilities, and in such order of application, as the Secured Party may from time to time elect.

4. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

(b) If any provision of this Agreement shall, to any extent, be held invalid, illegal or unenforceable, in whole or in part, the validity, legality, and enforceability of the remaining part of such provision, and the validity, legality and enforceability of the other provisions hereof, shall not be affected thereby. Any provision of this Agreement which is held invalid, illegal or unenforceable in any jurisdiction shall not be deemed invalid, illegal or unenforceable in any other jurisdiction.

(c) This Agreement may not be amended, changed, modified, altered or terminated except in writing executed by all parties with the same formality as this Agreement is executed.

(d) Except as otherwise expressly provided herein, all rights, powers and privileges conferred hereunder upon any party shall be cumulative and not restrictive of those given by law. No remedy herein conferred is exclusive of any other available remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given by agreement or now or hereafter existing at law or in equity or by statute.

(e) This Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by and against all the parties and their respective heirs, legal representatives,

successors and assigns. Nothing in this Agreement, expressed or implied, is intended to or shall confer upon any person other than the parties, and their respective heirs, legal representatives, successors and assigns, any rights, remedies, obligations or liabilities.

(f) Debtor will execute, deliver, acknowledge and supply such further documents, instruments and assurances as shall be reasonably necessary or appropriate to carry out the full intent and purposes of this Agreement.

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement as of the date first written above.

TALGO-LRC LEASING, LLC
By TALGO-LRC, LLC, Sole Member
By: [Signature]
Name: Randolph V. Peterson
Title: President

District of Columbia
STATE OF ~~MONTANA~~)
)ss
COUNTY OF _____)

On this 16 day of June, 2000 before me personally appeared Randolph V. Peterson to me personally known, who being by me duly sworn, says that he is the * of TALGO-LRC LEASING, LLC, that said instrument was signed and sealed on behalf of said company, the foregoing instrument was the free act and deed of said company.

(SEAL)

[Signature]
Notary

NELL JOHNSON
Notary Public

My Commission Expires July 14, 2000

My commission expires: _____

*President of
TALGO-LRC, LLC,
Sole Member

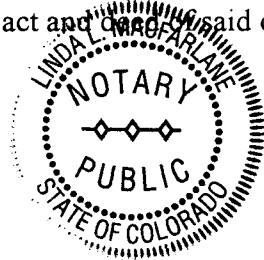
WELLS FARGO CREDIT, INC.

By Pamela R. Klempel
Pamela R. Klempel, Vice President

STATE OF COLORADO)
)ss
CITY AND COUNTY OF DENVER)

On this 7th day of July, 2000 before me personally appeared Pamela R. Klempel, to me personally known, who being by me duly sworn, says that she is the Vice President of Wells Fargo Credit, Inc., that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)



Linda L. MacFarlane
Notary

My commission expires: My Commission Expires May 19, 2003

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